



# Spatial Economics Research Centre

Thursday, 7 July 2011

## Spatial Mismatch

An interesting [Centre for Cities report](#) published yesterday suggests that jobs for the unskilled are gradually moving out of city centres. As large number of unskilled live in city centres this raises the possibility that spatial mismatch may partly explain their high unemployment rates.

Given the constraints on [housing supply in the UK](#) let's assume that a housing 'solution' to this mismatch is infeasible. Getting low skilled employers back in to city centres is unlikely to provide a 'solution' either. First, because high skilled service activity benefits more from city locations they are willing to pay rents that low skilled employers can't match. Second, because central city locations tend to make low skilled manufacturing firms less competitive than their international rivals. This leaves us with policy interventions aimed at either improving skills, or lowering barriers to work by, for example, better linking the low skilled to job opportunities elsewhere. Cue suggestions for more investment in public transport, better information sharing across local authorities etc.

Unfortunately, there is a big evidence problem for policy making in this area. Forty years of study in the US (where spatial mismatch is considerably more pronounced) has yet to resolve the question of whether low job accessibility increases the risk of unemployment and if so, by how much. There are data issues: how to measure accessibility, the lack of availability of individual data and the need to use aggregated data, small samples when data is available (with poor individual controls). There is also a major methodological problem: how do you solve the endogeneity problem - does residential location drive unemployment or does unemployment drive residential location? This is the same problem as is encountered when trying to figure out if neighbourhoods affect outcomes (as discussed further in [SERC policy paper 2](#))

Academic research continues to address these problems. Overall, my impression is that the best recent studies suggest there may be some causal effect of accessibility on unemployment but that the channels through which these work and the magnitudes of the effects remain uncertain (and are not necessarily large). In short, the role of spatial mismatch in explaining low skilled unemployment and what, if anything, we could do about it remains uncertain. Never a message policy makers like to hear.

Posted by [Prof Henry G. Overman](#) on [Thursday, July 07, 2011](#)

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